#### **CITY OF OKOBOJI**

INDEPENDENT AUDITORS' REPORT BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND SCHEDULE OF FINDINGS

**JUNE 30, 2008** 

#### CITY OF OKOBOJI

#### TABLE OF CONTENTS

		Page No.
Officials		1
Independent Auditors' Report		2 - 3
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement: Statement of Activities and Net Assets - Cash Basis Governmental Fund Financial Statement:	Α	4 - 5
Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Fund Financial Statement:	В	6 - 7
Statement of Cash Receipts, Disbursements and Change in Cash Balance Notes to Financial Statements	С	8 9 - 15
Required Supplementary Information: Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund Notes to Required Supplementary Information - Budgetary Reporting.		16 - 17 18
Other Supplementary Information:	Schedule	
Schedule of Indebtedness  Bond and Note Maturities  Schedule of Receipts by Source and Disbursements by Function -	1 2	19 - 20 21 - 22
All Governmental Funds	3	23
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government		
Auditing Standards		24 - 25
Schedule of Findings		26 - 29

#### CITY OF OKOBOJI

#### CITY OFFICIALS

### (Before January 2008)

<u>NAME</u>	TITLE	TERM EXPIRES
Mary Vander Woude	Mayor	December 31, 2007
Jim Delperdang Sharlene Eckard Sue Larsen Les Marousek Jerry Robinson	Council Member Council Member, Mayor Pro-Tem Council Member Council Member Council Member	December 31, 2007 December 31, 2009 December 31, 2009 December 31, 2007 December 31, 2009
Dennis Daly	City Administrator / Clerk	December 31, 2007
Michael Chozen	City Attorney	December 31, 2007
	(After January 1, 2008)	
<u>NAME</u>	TITLE	TERM EXPIRES
Mary Vander Woude	Mayor	December 31, 2011
Jim Delperdang Sharlene Eckard Sue Larsen Joe Gamble (through June 4, 200 Jerry Robinson	Council Member Council Member, Mayor Pro-Tem Council Member Council Member Council Member Council Member	December 31, 2011 December 31, 2009 December 31, 2009 December 31, 2011 December 31, 2009
Dennis Daly	City Administrator / Clerk	December 31, 2008
Michael Chozen	City Attorney	December 31, 2008

## Winther, Stave & $\mathbf{C}_{0.,\mathrm{LLP}}$

Certified Public Accountants

1316 West 18th Street P.O. Box 175 Spencer, Iowa 51301-0175 Phone 712-262-3117 FAX 712-262-3159

1004 21st Street #4 P.O. Box 187 Milford, Iowa 51351 Phone 712-338-2488 FAX 712-338-2510

#### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council City of Okoboji Okoboji, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Okoboji, as of June 30, 2008 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2008 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The financial statements for the year ended June 30, 2005 (not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

La Stone Co. The

September 8, 2008



#### CITY OF OKOBOJI STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

			Program Receipts					
FUNCTIONS/PROGRAMS:	<u>Dis</u>	bursements	Charge Serv		Opera Contri	ting Grants, butions, and cted Interest	Capit Contrib	al Grants, putions, and ted Interest
Governmental activities:								
Public safety	\$	309,038	\$	-	\$	-	\$	-
Public works		319,433	13	,040		70,252		-
Culture and recreation		25,306		-		<u></u>		_
Community and economic development.		208,064		-		-		-
General government		366,915		-		-		-
Debt service		604,428		_		4,500		-
Capital projects		969,634		-		_		-
Total governmental activities		2,802,818	13	,040		74,752		-
Business-type activities:								
Water		394,984	239	,983		_		_
Total business-type activities		394,984		,983		-		_
TOTAL	\$	3,197,802	\$ 253	,023	\$	74,752	\$	

#### General Receipts:

Property and other City tax levied for:
General purposes
Tax increment financing collections
Debt service
Local option sales tax
Hotel/motel tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Transfers
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted:

Streets

Urban renewal purposes

Debt service

Capital projects

Unrestricted

Total cash basis net assets

Net (Disbursement) Receipt and Changes in Cash Basis Net Assets							
Governmental Business-type Activities Activities Total							
	<u> </u>	<u> 10tai</u>					
\$ (309,038) (236,141)	\$ -	\$ (309,038) (236,141)					
(25,306)	<del>-</del>	(25,306)					
(208,064)	-	(208,064)					
(366,915) (599,928)	-	(366,915) (599,928)					
(969,634)	-	(969,634)					
(2,715,026)	-	(2,715,026)					
	(155,001)	(155,001)					
	(155,001)	(155,001)					
(2,715,026)	(155,001)	(2,870,027)					
616,226	-	616,226					
471,519	-	471,519					
284,382 157,927	-	284,382 157,927					
224,538	-	224,538					
11,372	2,961	14,333					
550,000 62,366	- 1,986	550,000 64,352					
3,000	(3,000)	04,332					
2,381,330	1,947	2,383,277					
(333,696)	(153,054)	(486,750)					
1,691,930	220,567	1,912,497					
\$ 1,358,234	\$ 67,513	\$ 1,425,747					
\$ 125,493	\$ -	\$ 125,493					
348,187 11,094	-	348,187					
631,937	-	11,094 631,937					
241,523	67,513	309,036					
\$ 1,358,234	\$ 67,513	\$ 1,425,747					

#### CITY OF OKOBOJI STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES GOVERNMENTAL FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

		Special Revenue		
		Road Use	Urban Renewal	Debt
	<u>General</u>	<u>Tax</u>	Tax Increment	Service
RECEIPTS:	<del></del>	<del></del>		
Property tax	\$ 593,634	\$ -	\$ -	\$ 281,747
Tax increment financing	-	_	471,519	-
Other city tax	405,057	-	-	2,635
Licenses and permits	17,581	-	-	-
Use of money and property	11,372	-	-	-
Intergovernmental	-	70,252	-	-
Charges for service	13,040	-	-	_
Miscellaneous	44,785	-		4,500
TOTAL RECEIPTS	1,085,469	70,252	471,519	288,882
DISBURSEMENTS:				
Operating:				
Public safety	309,038	_	_	-
Public works	261,162	58,271	_	-
Culture and recreation	25,306	-	_	-
Community and economic development	208,064	_	-	_
General government	366,915	_		_
Debt service	-	-	319,095	285,333
Capital projects	_	_	-	
TOTAL DISBURSEMENTS	1,170,485	58,271	319,095	285,333
EXCESS (DEFICIENCY) OF RECEIPTS				
OVER (UNDER) DISBURSEMENTS	(85,016)	11,981	152,424	3,549
· · · · · · · · · · · · · · · · · · ·				
OTHER FINANCING SOURCES:				
Bond proceeds	-	-	_	-
Operating transfers in	3,000	-	-	-
TOTAL OTHER FINANCING SOURCES	3,000	-		_
NET CHANGES IN CASH BALANCES	(82,016)	11,981	152,424	3,549
CASH BALANCES - BEGINNING OF YEAR	323,539	113,512	195,763	7,545
CASH BALANCES - END OF YEAR	\$ 241,523	\$ 125,493	\$ 348,187	\$ 11,094
ONOTIBALIANCE ENDOT TEAK	Ψ 241,020	Ψ 120,400	Ψ 040,107	Ψ 17,004
CASH BASIS FUND BALANCES:				
Reserved for debt service	\$ -	¢	¢	¢ 11.004
Unreserved:	φ -	\$ -	\$ -	\$ 11,094
General fund	244 522			
Special revenue funds	241,523	125 402	240 407	-
Capital projects funds	-	125,493	348,187	-
Capital projects lunds	-			
TOTAL CASH BASIS FUND BALANCES	\$ 241,523	\$ 125,493	\$ 348,187	\$ 11,094
				,

Capital	
<u>Projects</u>	<u>Total</u>
\$ - - - - - - -	\$ 875,381 471,519 407,692 17,581 11,372 70,252 13,040 49,285
-	1,916,122
969,634 969,634	309,038 319,433 25,306 208,064 366,915 604,428 969,634 2,802,818
(969,634)	(886,696)
550,000	550,000 3,000
550,000	553,000
(419,634)	(333,696)
1,051,571	1,691,930
\$ 631,937	\$ 1,358,234
\$ -	\$ 11,094
	044 500
-	241,523
-	473,680
631,937	631,937
\$ 631,937	\$ 1,358,234

#### CITY OF OKOBOJI STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES PROPRIETARY FUND AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

OPERATING RECEIPTS:	<u>Water</u>
Use of money and property Charges for service Miscellaneous TOTAL OPERATING RECEIPTS	\$ 2,961 239,983 1,986 244,930
DISBURSEMENTS: Business-type activities TOTAL OPERATING DISBURSEMENTS	 394,984 394,984
DEFICIENCY OF OPERATING RECEIPTS UNDER OPERATING DISBURSEMENTS	(150,054)
OPERATING TRANSFERS OUT	 (3,000)
NET CHANGES IN CASH BALANCE	(153,054)
CASH BALANCE - BEGINNING OF YEAR	 220,567
CASH BALANCE - END OF YEAR	\$ 67,513
CASH BASIS FUND BALANCE: Unreserved	\$ 67,513

#### CITY OF OKOBOJI NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1922 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

#### A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Related Organization - The City participates with the City of Arnolds Park in the operation of Central Water System (System), which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2008 totaled \$140,370, approximately 40% of total System revenues.

<u>Jointly Governed Organizations</u> - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, and Dickinson County Joint E911 Service Board.

#### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### B. Basis of Presentation - Continued

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

<u>Fund Financial Statements</u> - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### B. Basis of Presentation - Continued

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

#### C. Measurement Focus and Basis of Accounting

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government and business-type activities functions.

#### 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2008 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

#### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and bonds are as follows:

Year Ending	General Obligation Notes and Bonds			
June 30,	<u>Principal</u>	Interest		
2009	\$ 535,000	\$135,524		
2010	475,000	112,830		
2011	415,000	95,441		
2012	360,000	80,021		
2013	270,000	65,575		
2014 - 2018	1,265,000	182,954		
2019 - 2020	125,000	8,206		
Total	<u>\$3,445,000</u>	<u>\$680,551</u>		

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out projects within the urban renewal district of the City. The bonds and notes are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of bonds paid from TIF receipts shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. Total principal and interest remaining on the bonds expected to be paid from TIF receipts is \$1,085,000, payable through June 2020. For the current year, interest paid and total TIF receipts were \$49,096 and \$471,519, respectively.

#### 4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary, and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$26,989, \$27,344, and \$26,799, respectively, equal to the required contributions for each year.

#### 5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008 is \$11,870, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2008.

#### 6. RISK MANAGEMENT

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2008 were \$35,322.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

#### 6. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and general liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	<u>Transfer from</u>	Amount
General	Proprietary:	
	Water	\$ 3,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### 8. LITIGATION

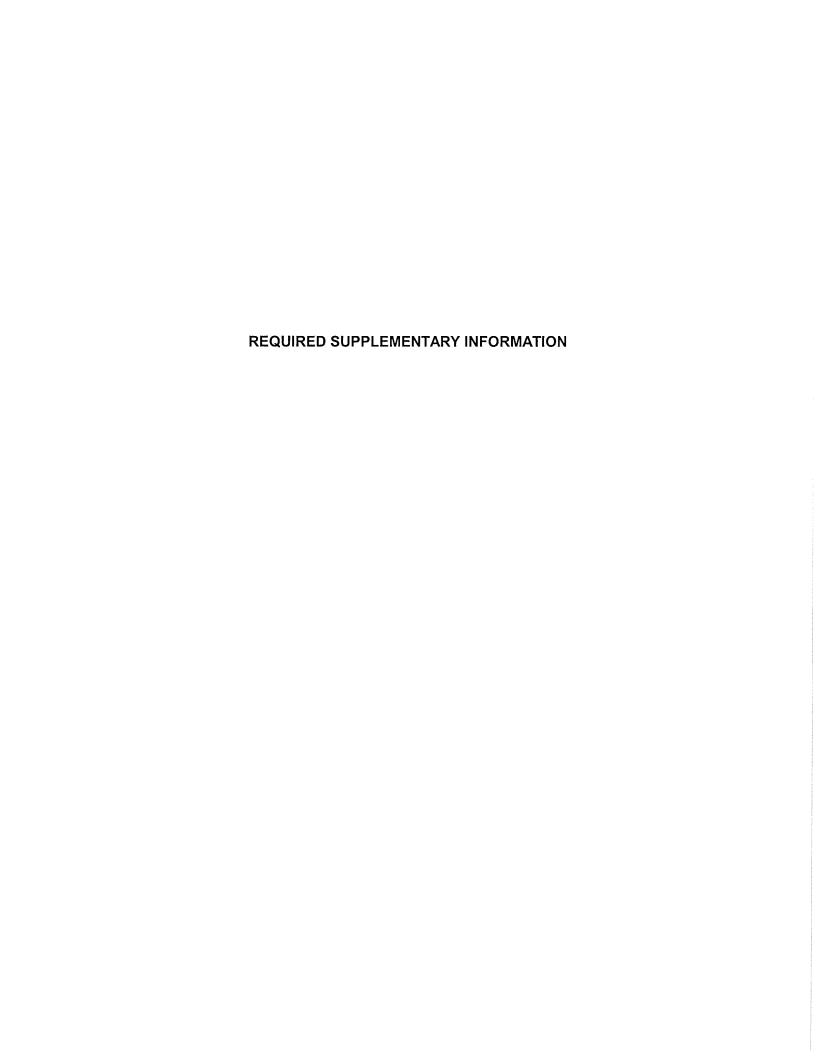
The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

#### 9. COMMITMENTS AND CONTINGENCIES

At June 30, 2008, the City has entered into contracts for construction project and ladder truck (one-half interest) acquisitions totaling approximately \$1,328,000, with no contract payments made. The contracts will be paid as work progresses and the vehicle is placed in service. Construction costs are expected to be financed through State Revolving Fund financing. The City's share of the ladder truck acquisition will be paid from \$550,000 bond proceeds received during the current fiscal year.

The City has also pledged economic development payments to three local non-profit organizations. Annual pledges total \$27,500 for the years ending June 30, 2009 and 2010 and \$17,500 for the years ending June 30, 2011 and 2012.

In addition, the City has agreed to pay a portion of the costs of certain street projects completed by the Iowa Department of Transportation (IDOT). Expected costs of approximately \$350,000 will be paid from the Urban Renewal Tax Increment fund when billed by the IDOT.



# CITY OF OKOBOJI BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

RECEIPTS:	Go	vernmental Funds <u>Actual</u>	Ρ	roprietary Fund <u>Actual</u>
Property tax	\$	875,381	\$	_
Tax increment financing	Ψ	471,519	*	_
Other city tax		407,692		_
Licenses and permits		17,581		_
Use of money and property		11,372		2,961
Intergovernmental		70,252		_
Charges for service		13,040		239,983
Miscellaneous		49,285		1,986
TOTAL RECEIPTS		1,916,122		244,930
DISBURSEMENTS:				
Public safety		309,038		-
Public works		319,433		-
Culture and recreation		25,306		_
Community and economic development		208,064		-
General government		366,915		_
Debt service		604,428		-
Capital projects		969,634		-
Business-type activities				394,984
TOTAL DISBURSEMENTS		2,802,818		394,984
EXCESS (DEFICIENCY) OF RECEIPTS OVER				
(UNDER) DISBURSEMENTS		(886,696)		(150,054)
OTHER FINANCING SOURCES (USES) - NET		553,000		(3,000)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING				
SOURCES		(333,696)		(153,054)
CASH BALANCES - BEGINNING OF YEAR		1,691,930		220,567
CASH BALANCES - END OF YEAR	\$	1,358,234	\$	67,513

Budgeted Amounts						Final to Net
<u>Net</u>		<u>Original</u>		<u>Final</u>	<u>\</u>	/ariance
\$ 875,381	\$	870,074	\$	870,074	\$	5,307
471,519		459,000		459,000		12,519
407,692		371,057		371,057		36,635
17,581		12,800		12,800		4,781 5.722
14,333 70,252		8,600 87,167		8,600 87,167		5,733 (16,915)
253,023		248,700		248,700		4,323
51,271		5,000		5,000		46,271
 2,161,052		2,062,398		2,062,398		98,654
		_,002,000		-,002,000		00,001
309,038		274,148		324,148		15,110
319,433		242,758		351,746		32,313
25,306		22,000		27,000		1,694
208,064		180,004		216,004		7,940
366,915		366,496		366,496		(419)
604,428		604,428		604,428		_
969,634	•	1,202,459	•	1,202,459		232,825
 394,984		244,700		334,700		(60,284)
 3,197,802		3,136,993	3	3,426,981		229,179
(1,036,750)	(*	1,074,595)	(*	,364,583)		327,833
 550,000		and a		545,865		4,135
(486,750)	(*	1,074,595)		(818,718)		331,968
 1,912,497		1,862,895	1	,862,895		
 1,425,747	\$	788,300	\$ 1	1,044,177		

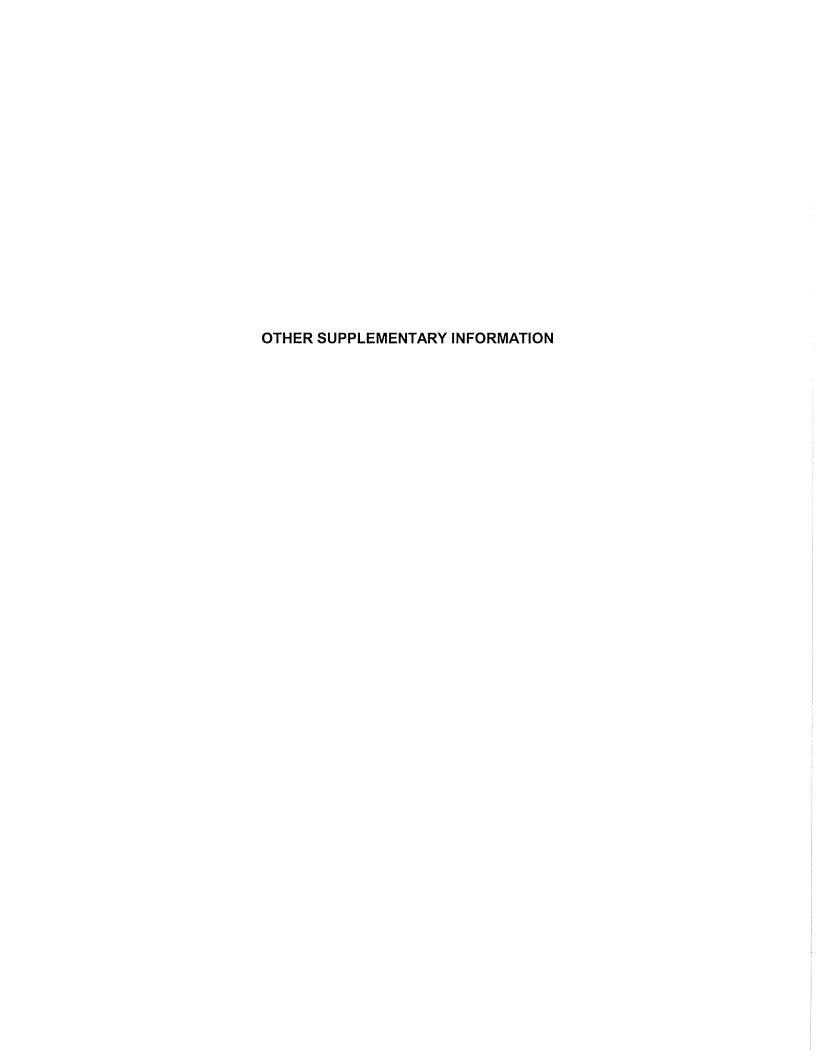
#### CITY OF OKOBOJI NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$289,988. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government and business-type activities functions.



#### CITY OF OKOBOJI SCHEDULE OF INDEBTEDNESS YEAR ENDED JUNE 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	Amount Interest <u>Rates</u>	Originally <u>Issued</u>
General Obligation Capital Loan Notes	June 1, 1999	4.25 - 4.50%	\$ 200,000
General Obligation Bonds Paid from Debt Service Paid from TIF Total	April 1, 2002	3.00 - 4.55%	\$ 850,000
General Obligation Capital Loan Notes	October 1, 2002	1.60 - 3.85%	\$ 350,000
General Obligation Refunding Bonds	May 1, 2004	1.48 - 2.50%	\$ 600,000
General Obligation Bonds (paid from TIF)	October 1, 2005	3.00 - 3.20%	\$ 705,000
General Obligation Refunding Notes Paid from Debt Service Paid from TIF Total	October 1, 2005	3.00 - 4.35%	\$1,045,000
General Obligation Bonds	May 1, 2007	3.65 - 4.00%	\$1,100,000
General Obligation Capital Loan Notes	April 1, 2008	3.75 - 4.10%	\$ 550,000
TOTAL			

Balance Beginning <u>of Year</u>	Issued During <u>Year</u>	Redeemed During <u>Year</u>	Balance End <u>of Year</u>	Interest <u>Paid</u>	Interest Due and <u>Unpaid</u>
\$ 40,000		\$ (20,000)	\$ 20,000	\$ 1,780	
295,000 185,000 480,000		(55,000) (35,000) (90,000)	240,000 150,000 390,000	12,940 <u>8,115</u> <u>21,055</u>	
225,000		(35,000)	190,000	<u>7,875</u>	
80,000		(80,000)		2,000	
515,000		(195,000)	320,000	<u> 15,998</u>	
275,000 655,000 930,000		(15,000) (40,000) (55,000)	260,000 615,000 875,000	9,442 <u>24,983</u> <u>34,425</u>	
1,100,000			<u>1,100,000</u>	46,296	
	<u>\$ 550,000</u>		550,000		
\$3,370,000	<u>\$ 550,000</u>	<u>\$ (475,000</u> )	<u>\$3,445,000</u>	<u>\$129,429</u>	

#### CITY OF OKOBOJI **BOND AND NOTE MATURITIES** JUNE 30, 2008

	General Obligation Bonds and Notes							
	•	tal Loan otes	Capital Project Bonds		Capital Loan Notes		Capital Project Bonds	
	lssuec	6-1-1999	Issued 4	4-1-2002	Issued 1	0-1-2002	Issued 1	0-1-2005
Year Ending June 30,	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020	4.50%	\$ 20,000	4.30% 4.35 4.45 4.55	\$ 90,000 95,000 100,000 105,000	3.25% 3.45 3.60 3.75 3.85	\$ 35,000 35,000 40,000 40,000	3.00% 3.20	\$190,000 130,000
TOTALS		\$ 20,000		\$390,000		<u>\$190,000</u>		\$320,000

Refunding Notes		Capital Project Bonds		Capital Loan Notes		
lssued_	10-1-2005	<u>Issued</u>	<u>5-1-2007</u>	lssu	ed 4-1-2008	
Interest		Interest		Interest		
<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Total</u>
3.25%	\$ 60,000	3.65%	\$ 100,000	4.00%	\$ 40,000	\$ 535,000
3.35	75,000	3.70	100,000	4.00	40,000	475,000
3.45	265,000	3.75	5,000	4.00	5,000	415,000
3.55	45,000	3.80	115,000	4.00	55,000	360,000
3.65	50,000	3.80	120,000	4.00	60,000	270,000
3.75	45,000	3.85	125,000	4.00	60,000	230,000
3.85	50,000	3.90	125,000	3.75	65,000	240,000
3.95	50,000	3.95	130,000	3.85	65,000	245,000
4.05	55,000	3.95	135,000	4.00	80,000	270,000
4.15	55,000	4.00	145,000	4.10	80,000	280,000
4.25	60,000					60,000
4.35	<u>65,000</u>					65,000
	<u>\$875,000</u>		<u>\$1,100,000</u>		<u>\$550,000</u>	<u>\$3,445,000</u>

#### CITY OF OKOBOJI SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -ALL GOVERNMENTAL FUNDS FOR THE LAST FOUR YEARS YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>	<u>2006</u>	2005
RECEIPTS:				
Property tax	\$ 875,381	\$ 807,564	\$ 778,482	\$ 741,016
Tax increment financing collections	471,519	433,158	340,613	324,043
Other city tax	407,692	421,773	373,107	363,002
Licenses and permits	17,581	36,315	7,298	9,928
Use of money and property	11,372	46,095	33,710	6,661
Intergovernmental	70,252	68,342	73,261	76,800
Charges for service	13,040	13,868	11,954	16,886
Special assessments		· <u>-</u>	, -	1,856
Miscellaneous	49,285	77,087	53,910	51,941
TOTAL	\$ 1,916,122	\$ 1,904,202	\$ 1,672,335	\$ 1,592,133
DISBURSEMENTS:				
Operating:				
Public safety	309,038	273,470	275,750	253,819
Public works	319,433	240,756	330,831	443,906
Culture and recreation	25,306	20,341	35,711	18,345
Community and economic development	208,064	193,782	142,225	188,613
General government	366,915	356,488	321,609	370,559
Debt service	604,428	759,187	561,211	435,825
Capital projects	969,634	236,575	1,308,172	84,713
			.,,,	<u> </u>
TOTAL	\$ 2,802,818	\$ 2,080,599	\$ 2,975,509	\$ 1,795,780

## WINTHER, STAVE & CO., LLP

Certified Public Accountants

1316 West 18th Street P.O. Box 175 Spencer, Iowa 51301-0175 Phone 712-262-3117 FAX 712-262-3159 1004 21st Street #4 P.O. Box 187 Milford, Iowa 51351 Phone 712-338-2488 FAX 712-338-2510

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council City of Okoboji, IA 51355

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Okoboji, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 8, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Okoboji's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a

misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Okoboji's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Okoboji and other parties to whom the City of Okoboji may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 8, 2008

#### CITY OF OKOBOJI SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

#### Part I: Findings Related to the Financial Statements

#### Significant Deficiencies:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

<u>Recommendation</u> - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

<u>Conclusion</u> - Response accepted.

I-B-08 Reporting Financial Data - Reporting financial data reliably on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. As is a common situation in small entities, management presently lacks the qualifications and training to appropriately fulfill these responsibilities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses would improve management's ability to prepare and take responsibility for reliable cash basis financial statements.

<u>Response</u> - Management will consider steps which could be taken to improve the ability to prepare and take responsibility for reliable cash basis financial statements.

Conclusion - Response accepted.

#### CITY OF OKOBOJI SCHEDULE OF FINDINGS - Continued FOR THE YEAR ENDED JUNE 30, 2008

#### Part I: Findings Related to the Financial Statements - Continued

#### **Significant Deficiencies:**

I-C-08 <u>Credit Cards</u> - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use a credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

<u>Response</u> - We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

#### **Instances of Noncompliance:**

No matters were noted.

#### CITY OF OKOBOJI SCHEDULE OF FINDINGS - Continued FOR THE YEAR ENDED JUNE 30, 2008

#### Part II: Other Findings Related to Required Statutory Reporting

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the general government and business-type activities functions. Chapter 384.20 of the Code of lowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

<u>Recommendation</u> - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 <u>Travel Expense</u> No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-08 <u>Business Transactions</u> No business transactions between the City and City officials or employees were noted.
- II-E-08 Bond Coverage Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-08 <u>Council Minutes</u> No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-08 <u>Deposits and Investments</u> We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

#### CITY OF OKOBOJI SCHEDULE OF FINDINGS - Continued FOR THE YEAR ENDED JUNE 30, 2008

#### Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-08 <u>TIF Certification</u> - During our audit, we noted the City may not have reduced its outstanding TIF indebtedness by TIF fund cash balances when it certified its TIF indebtedness to the County Auditor on December 1, 2007.

<u>Recommendation</u> - We recommend the City contact the County Auditor to determine the procedures to make any required corrections to its TIF certification.

<u>Response</u> - We will contact the County Auditor to determine the method for correcting the certification, if necessary.

Conclusion - Response accepted.